

Message Text

LIMITED OFFICIAL USE

PAGE 01 MANILA 14358 171129Z

14

ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 EB-07 AID-05 /020 W

----- 042754

R 170900Z SEP 76

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 395

LIMITED OFFICIAL USE MANILA 14358

E O 11652: NA

TAGS: EFIN, RP

SUBJ: BALANCE OF PAYMENTS AND DEBT PROSPECTS

REF: STATE 223505

1. BALANCE OF PAYMENTS AND DEBT ESTIMATES WHICH FOLLOW ARE BASED PRIMARILY UPON DATA DEVELOPED BY GOP AND IMF IN CONNECTION WITH PHILIPPINE PARTICIPATION IN IMF EXTENDED FUND FACILITY. TO CONFORM TO FORMAT IN WHICH INFORMATION REQUESTED, EMBASSY HAS MADE OWN PROJECTIONS FOR OFFICIAL AND UNOFFICIAL BREAKDOWN OF DEBT, AND FOR DISBURSED AND UNDISBURSED EXTERNAL DEBT.

2. FOLLOWING ARE COMMENTS ON CRITICAL ASSUMPTIONS:

A) HEALTHY OCED GROWTH RATE. IN PAST 18 MONTHS TO TWO YEARS, RECESSION IN OCED COUNTRIES HAS HAD DELETERIOUS EFFECT ON PHILIPPINE EXPORT PRICES AND EXPORT DEMAND. EXTERNAL SECTOR IS ESPECIALLY SENSITIVE TO U.S. AND JAPANESE GROWTH RATES. BECAUSE OF THIS SENSITIVITY, SIGNIFICANT VARIANCE FROM ASSUMED GROWTH OF 5.5 PERCENT COULD BE EXPECTED TO BE TRANSMITTED WITH SOME STRENGTH TO PHILIPPINE BALANCE OF PAYMENTS, WITH LAG OF 6 MONTHS TO ONE YEAR.

B) MODERATE OECD INFLATION RATE. PHILIPPINE ECONOMY HAS ALSO PROVEN SENSITIVE TO INFLATION IN INDUSTRIAL COUNTRIES, PRIMARILY THROUGH MECHANISM OF PRICES FOR IMPORTS, GOP HAS CONSISTENTLY FOLLOWED POLICY OF MAINTAINING

LIMITED OFFICIAL USE

PAGE 02 MANILA 14358 171129Z

IMPORT LEVELS IN SPITE OF PRICES AND SIZE OF MERCHANDISE

TRADE DEFICIT, IN ORDER TO MAINTAIN LEVELS OF INPUTS FOR FUTURE GROWTH. OECD INFLATION RATE HAS RATHER DIRECT RELATIONSHIP TO BOP DEFICIT, AND DOUBLE-DIGIT RATE WOULD HAVE SIGNIFICANT EFFECT ON ESTIMATES, MODERATED OF COURSE BY ANY CORRESPONDING PRICE MOVEMENT FOR PHILIPPINE EXPORTS, AS HAPPENED IN 1974.

C) OIL PRICE INCREASES. ESTIMATES ASSUME 7 PERCENT INCREASE IN POSTED PRICE FOR OIL EFFECTIVE JANUARY 1977.

D) COMMODITY PRICE MOVEMENTS. EXPORT EARNINGS ARE HEAVILY DEPENDENT ON PRICES FOR FEW COMMODITIES; NAMELY, SUGAR, WOOD PRODUCTS, COCONUT PRODUCTS, AND COPPER CONCENTRATES. ESTIMATES ASSUME A DECELERATING DECLINE IN PRICES FOR THESE COMMODITIES.

3. BALANCE OF PAYMENTS, CY 1974-1977 (SOURCE IS CENTRAL BANK - RELIABILITY GOOD) (IN \$ MILLION)

A. CURRENT ACCOUNT BALANCE	1974	1975	1976	1977
MERCHANDISE EXPORTS				
(F.O.B.)	2694	2262	2690	3270
MERCHANDISE IMPORTS				
(F.O.B.)	3143	3459	3830	4438
MERCHANDISE TRADE	-449	-1197	-1140	-1168
SERVICE IMPORTS //1//	833	907	855	1015
SERVICE EXPORTS //2//	867	951	1045	1169
NON-MERCHANDISE TRADE	-34	-44	-190	154
NET PRIVATE TRANSFERS		201		
	165	248	308	
NET PUBLIC TRANSFERS	75	153	32	94
TRANSFERS	276	318	280	402
CURRENT NET INFLOWS,				
TOTAL	-207	-923	-1050	-920

//1// CLASSIFIED BY THE CB AS NON-MERCHANDISE TRADE INFLOWS

//2// CLASSIFIED BY THE CB AS NON-MERCHANDISE TRADE OUTFLOWS

B. CAPITAL ACCOUNT BALANCE	1974	1975	1976	1977
OFFICIAL LONG TERM	112	231	338	396
LIMITED OFFICIAL USE				

LIMITED OFFICIAL USE

PAGE 03 MANILA 14358 171129Z

OFFICIAL SHORT TERM //3//
NET PRIVATE	292	171	342	299
PRIVATE LONG TERM	61	251	277	264
PRIVATE SHORT TERM	231	-80	65	35
NET CAPITAL INFLOW,				
TOTAL	404	402	680	695
OVER-ALL SURPLUS (DEFICIT)	197	-521	-370	-225

//3// ... EQUALS ZERO OR NEGLIGIBLE

4. EXTERNAL DEBT DATA, CY 1974-1977 (IN \$ MILLION)

	1974	1975	1976	1977
DISBURSED EXTERNAL DEBT //1//	1031	1092	1172	1393
UNDISBURSED EXTERNAL DEBT//2//	965	1020	1094	1301
TOTAL EXTERNAL DEBT	1996	2112	2266	2694
DEBT SERVICE //3//	485	459	552	653

//11// EMBASSY PROJECTIONS. RELIABILITY FAIR.

//2// EMBASSY PROJECTIONS. RELIABILITY FAIR.

//3// SOURCE : CENTRAL BANK. RELIABILITY GOOD.

5. GOP FINANCIAL AUTHORITIES ARE SENSITIVE TO THE NECESSITY FOR CAREFUL DEBT MANAGEMENT AND ARE ACUTELY CONSCIOUS OF THE DESIRABILITY OF A GOOD CREDIT RATING. THIS CREDIT RATING HAS BEEN USED TO ADVANTAGE WITH INTERNATIONAL FINANCIAL INSTITUTIONS AND WITH COMMERCIAL CREDITORS; THE LATTER HAVE COMMITTED OVER ONE BILLION DOLLARS IN LOANS TO THE PHILIPPINES SINCE THE FIRST OF THIS YEAR. THE EXPERIENCE OF 1970, WHEN A COMBINATION OF LOW RESERVES AND EXCESSIVE REPAYMENT OBLIGATIONS ARISING FROM SHORT-TERM LOANS NECESSITATED DEBT RE-SCHEDULING, IS STILL FRESH IN THE MINDS OF POLICY MAKERS, AND SERVES TO ENCOURAGE CONSERVATIVE DEBT POLICY. CURRENT AND PROJECTED DEBT SERVICE REQUIREMENTS ARE BELOW STATUTORY LIMITATIONS (20 PERCENT OF THE AVERAGE OF THE PAST THREE YEARS TOTAL FOREIGN EXCHANGE RECEIPTS). THE GOP REGARDS FOREIGN BORROWING AS A DEVELOPMENT TOOL AND PLANS TO MAKE MAXIMUM USE OF THAT TOOL CONSISTENT WITH PRUDENT MANAGEMENT. WHILE DRAWINGS WILL BE RATHER EXTENSIVE DURING THIS PERIOD OF CURRENT ACCOUNT DIFFICULTIES, EMBASSY BELIVES THAT DEBT SERVICE WILL NOT PRESENT INSURMOUNTABLE PROBLEMS. LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 MANILA 14358 171129Z

SULLIVAN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DATA, ECONOMIC REPORTS, BALANCE OF PAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976MANILA14358
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760352-0848
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760949/aaaabpwl.tel
Line Count: 155
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 STATE 223505
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 03 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 JUN 2004 by CunninFX>; APPROVED <29 SEP 2004 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BALANCE OF PAYMENTS AND DEBT PROSPECTS
TAGS: EFIN, RP
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006